1969

ANNUAL REPORT

CANADIAN CURTISS WRIGHT LIMITED

of Tto.

CORPORATE DIRECTORY

DIRECTORS

John J. Baughan
James G. Byron
Thomas F. G. Lawson
John B. Morris
Carl S. Sherman
Martin A. Sherry

OFFICERS

John B. Morris - - - *Chairman of the Board*
Carl S. Sherman - - - *President*
Peter A. Manchur - - - *Vice-President*
Lloyd S. Hoar - - - *Vice-President*
Robert D. Sage - - - *Vice-President*
Martin A. Sherry - - - *Treasurer*
Charles F. Scott, Q.C. - - - *Secretary*
Francis E. Fallon - - - *Assistant Secretary*

AUDITORS

Coopers & Lybrand - - - Toronto, Canada

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company - - - Toronto, Canada

CORPORATE COUNSEL

Gowling, MacTavish, Osborne & Henderson - - - Ottawa, Canada

CANADIAN CURTISS WRIGHT LIMITED

500 Carlingview Drive, (Rexdale), Toronto, Canada

HIGHLIGHTS

	1969	1968
Sales	$ 6,844,767	$15,432,656
Earnings (Loss) Before Income Taxes and Extraordinary Items	$ (543,034)	$ 633,422
Recovery of (Provision for) Income Taxes	$ 146,423	$ (333,000)
Extraordinary Items	–	$ 85,213
Net Earnings (Loss) After Income Taxes	$ (396,611)	$ 215,209
Earnings Per Share	–	5¢
Retained Earnings	$ 640,651	$ 1,037,262
Shareholders' Equity	$ 2,316,759	$ 2,713,370
Working Capital	$ 1,630,767	$ 2,097,467
Number of Common Shares Outstanding	4,387,682	4,381,028

CANADIAN CURTISS WRIGHT LIMITED

TO THE SHAREHOLDERS:

The year 1969 was affected by significant accomplishments in reconstructing the Company's operations towards future growth and profits, as well as by several items of unusual expense.

Sales for 1969 were $6,844,767, compared with an all-time high of $15,432,656 in 1968.

1969 showed an after tax loss of $396,611, compared with a profit of $215,209 in the previous year. The 1969 after tax loss was the result of a before tax loss of $543,034, reduced by $146,423 on application of the portion of the loss recoverable against 1968 taxes. Approximately $290,000 of the tax loss will be available to carry forward against future earnings.

Year end results were affected by the write-off of a substantial volume of obsolete inventory, resulting in a downward adjustment of inventory values by approximately $150,000.

OPERATIONS

The Company successfully brought on stream a snowmobile and recreational vehicle engine from a new supplier, introducing this product into the market while debugging technical problems, in a start-up year. As this message is written, the success of this program is apparent from the fact that firm 1970 new orders for these engines substantially in excess of 1969 shipments have already been written. In addition, material progress was made in negotiating representations of new products manufactured by U.S. and overseas companies. Certain unprofitable items have been discontinued from product lines and others subcontracted on a more profitable basis. The organization has also been strengthened by internal changes.

The sum total of these forward moves will enable the Company to make better use of its financial and personnel resources. As a result, operations at a profitable level are anticipated.

POWER PRODUCTS

Difficulties encountered early in the year with the newly introduced engines, designed for use in snowmobile and all-terrain vehicles, restricted sales volume for the greater part of the year. These difficulties were completely resolved late in the year. Overall gross profit margins remained essentially the same as in the previous year despite the decline in sales.

In addition, two new twin cylinder model engines were introduced. The prototypes of these engines have met with enthusiastic acceptance by the industry as evidenced by substantial orders received in the early part of 1970.

A strong promotional effort to increase the Company's share of the market in the important snowmobile industry has already met with significant success.

Active involvement in the embryonic all-terrain vehicle industry is expected to ensure your Company's long term participation in this potentially dynamic area of vehicular growth. Success has been achieved in having manufacturers of all-terrain vehicles prototype our new line of small-to-medium horsepower engines in their production lines. To date the results have been encouraging. Your Company forecasts that this new market, an offshoot of the snowmobile industry, will experience rapid growth as its popularity continues to spread throughout North America.

INCOR DIVISION

The new Incor Division is a combination of the former Industrial Products and Corporate Products divisions. It is dedicated to broadening the base of the Company's automotive and industrial product lines. Plans are being developed to provide customers with "pack-

aged concepts" of complete lines of congeneric products in automotive servicing equipment. These include diagnostic analysis equipment, battery chargers, general automotive servicing products and possibly car wash systems.

Certain products, which could not profitably be manufactured, were sub-contracted during the year to outside suppliers with resultant economies. Benefits to the Company as a result of these steps are expected to be realized in 1970.

In the year under review, the Company acquired the exclusive rights from Whittaker Hall Limited, of Manchester, England, to market and distribute "Fluidair" rotary air compressors in both Canada and the United States. This agreement provides Canadian Curtiss-Wright with a wider range of air compressors as well as access to the air compressor market of the United States. It is anticipated that this agreement will enable your Company to move towards an increased share of the North American compressor market.

The Company continues to act as sales and servicing agent for its parent company in the United States, supplying various aerospace, nuclear and other products to the Canadian market.

A new Materials Handling operation is currently being formed as a part of the Incor Division to market a newly designed mechanical dock leveller and a variety of mobile maintenance platforms.

DESIGN TEAM LEASING

Design Team Leasing (Ontario) Limited and its associated companies operate from area headquarters in Toronto, Montreal, Detroit, and Caldwell, New Jersey, the latter branch having been established in late 1968. As the skills and availability of draftsmen, engineers and technical personnel become more and more specialized, large industrial, commercial, professional and governmental organizations rely increasingly on the services of such firms as Design Team Leasing for the supply of personnel on a project or temporary basis.

In the last quarter of 1969, the benefits of penetrating the highly industrialized area of the Eastern States had its effects, and although its full potential has not yet been developed, the addition of this new office, plus improvement in activity in Toronto and Detroit, enabled Design Team Leasing to show a 43.2 per cent increase in sales over 1968.

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During the past year, your Company explored a number of potential acquisitions and will continue to investigate all possible avenues towards future growth.

It is with deep regret that the Company records the passing of Mr. Jack Pembroke, a Director for many years. The following resolution was adopted at the first Board of Directors Meeting following his passing:

> "On its first meeting following the death of Jack Pembroke, C.B.E., a director of the Company since May 28, 1958, this Board records its sense of loss in his passing, its gratitude for his wise counsel and good judgment given unstintingly in the deliberations of this Board and in the affairs of this Company, and its appreciation of his great qualities of heart and mind which marked him as a true gentleman whose example will be long remembered."

The Company acknowledges with appreciation the loyalty and assistance of employees, associates and shareholders during the year.

On behalf of the Board of Directors,

John B. Yo[illegible]

Chairman of the Board

February 27, 1970 *President*

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1969

(with comparative figures as of December 31, 1968)

ASSETS

	Cost	Accumulated depreciation	1969	1968
CURRENT ASSETS				
Cash			—	$ 65,063
Accounts receivable			$1,693,775	1,536,920
Income taxes recoverable			155,034	—
Inventories — at the lower of cost or net realizable value (note 2)			1,600,946	2,293,483
Prepaid expenses			29,821	49,754
			$3,479,576	$3,945,220
FIXED ASSETS				
Land	$110,869	—	$ 110,869	$ 61,500
Building	326,048	$ 38,279	287,769	—
Equipment and other	371,646	266,639	105,007	155,013
	$808,563	$304,918	$ 503,645	$ 216,513
Property held for sale - at cost, less accumulated depreciation			40,739	42,596
			$ 544,384	$ 259,109
OTHER ASSETS				
Franchises - at cost, less amounts written off			$ 40,145	$ 66,269
Excess of cost of investment in businesses acquired over book value of net assets at dates of acquisition			290,525	290, 525
			$ 330,670	$ 356,794
			$4,354,630	$4,561,123

CANADIAN CURTISS WRIGHT LIMITED AND SUBSIDIARIES

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Bank loan and overdraft	$ 1,095,660	$ 200,000
Accounts payable and accrued liabilities	296,658	502,586
Income and other taxes payable	—	167,287
Current portion of mortgage payable	6,531	—
Due to parent company	449,960	977,880
	$ 1,848,809	$ 1,847,753
MORTGAGE PAYABLE		
7-1/2%, maturing February 1, 1986, payable in monthly instalments including principal and interest of $1,729, less current portion	$ 189,062	—
	$ 2,037,871	$ 1,847,753

SHAREHOLDERS' EQUITY

	1969	1968
CAPITAL STOCK		
Authorized — 10,000,000 shares without par value		
Issued and fully paid — 4,387,682 shares (notes 3 and 4)	$ 1,528,608	$ 1,521,108
To be issued as part consideration for purchase of subsidiaries (note 3)	147,500	155,000
RETAINED EARNINGS	640,651	1,037,262
	$ 2,316,759	$ 2,713,370
	$ 4,354,630	$ 4,561,123

'SIGNED ON BEHALF OF THE BOARD

J. B. MORRIS, Director

C. S. SHERMAN, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Curtiss-Wright, Limited and subsidiaries as of December 31, 1969 and the related consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1968.

In our opinion these consolidated financial statements present fairly the financial position of the companies as of December 31, 1969 and 1968 and the results of their operations and the source and use of their funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

January 19, 1970

COOPERS & LYBRAND, Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)

	1969	1968
SALES	$ 6,844,767	$15,432,656
COST OF SALES	5,955,302	13,171,848
	$ 889, 465	$ 2,260,808
SELLING, GENERAL AND ADMINISTRATIVE, AND FINANCIAL EXPENSES	1,432,499	1,627,386
NET EARNINGS (LOSS) BEFORE INCOME TAXES	$ (543,034)	$ 633,422
RECOVERY OF (PROVISION FOR) INCOME TAXES	146,423	(333,000)
(LOSS) EARNINGS BEFORE EXTRAORDINARY ITEMS	$ (396,611)	$ 300,422
EXTRAORDINARY ITEMS (note 6)	–	85,213
(LOSS) NET EARNINGS FOR THE YEAR	$ (396,611)	$ 215,209
RETAINED EARNINGS – BEGINNING OF YEAR	1,037,262	822,053
RETAINED EARNINGS – END OF YEAR	$ 640,651	$ 1,037,262

The following are included in the above statement:

	1969	1968
Depreciation of fixed assets	$ 58,729	$ 47,548
Amortization of franchises	26,124	23,810
Directors' fees	3,500	4,800
Interest expense ($12,830 on mortgage)	21,836	–

CANADIAN CURTISS WRIGHT LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Net earnings for the year	–	$ 215,209
Add: Depreciation and amortization of franchises	–	71,358
Loss on disposal of fixed assets	–	4,898
	–	$ 291,465
7-1/2% mortgage	$ 189,062	–
Proceeds on disposal of fixed assets	2,519	30,608
Increase in share capital	–	18,000
	$ 191,581	$ 340,073
USE OF FUNDS		
Loss for the year	$ 396,611	–
Less: Depreciation and amortization of franchises	84,853	–
	$ 311,758	–
Purchase of fixed assets	346,523	$ 37,929
	$ 658,281	$ 37,929
(DECREASE) INCREASE IN WORKING CAPITAL	$ (466,700)	$ 302,144
WORKING CAPITAL – BEGINNING OF YEAR	2,097,467	1,795,323
WORKING CAPITAL – END OF YEAR	$1,630,767	$2,097,467

CANADIAN CURTISS WRIGHT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1969

1. BASIS OF CONSOLIDATION

The accounts of all the subsidiaries have been consolidated. Assets and liabilities of the United States subsidiaries have been converted to Canadian funds at the exchange rate in effect at December 31, 1969.

2. INVENTORIES

These are classified as follows:

	1969	1968
Finished goods	$1,556,758	$1,890,434
Work in process	20,781	69,462
Raw materials	23,407	333,587
	$1,600,946	$2,293,483

The 1968 finished goods and raw materials have been reclassified for comparative purposes.

3. ACQUISITION OF SUBSIDIARIES

The company issued 6,654 shares valued at $7,500 as required under the 1967 agreement for the purchase of certain subsidiaries. Under this agreement the company has undertaken to issue in the future shares of the company valued at $147,500. The number of shares to be issued is based upon the following:

(a) On September 15 in each of the three years 1970 to 1972, by dividing 7,500 by the average daily closing price of the company's shares on the Toronto Stock Exchange during a period of 14 days before and 14 days after September 1 of each of the years.

(b) Between April 1, 1973 and March 31, 1974, by dividing by 125,000 the result obtained after dividing the combined cumulative earnings (as defined) of the acquired companies in the period September 1, 1967 to December 31, 1972 by the average daily closing price of shares of the company on the Toronto Stock Exchange during a period of 14 days before and 14 days after the date as at which the shares are to be issued.

4. STOCK OPTION

An option to purchase 15,000 shares at a price per share of $3.1825, being 95% of the highest price of the company's shares trading on the Toronto Stock Exchange on April 11, 1968, remains outstanding. This option expires on April 13, 1973.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and five senior officers amounted to $97,625 for the year ended December 31, 1969.

6. EXTRAORDINARY ITEMS IN 1968

This amount consists of certain expenditures incurred on proposed acquisitions of companies and patents, less income taxes applicable thereto. These acquisitions did not materialize.

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